A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 21, 1936, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
Mr. Szymczak
Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegram to Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated May 20, 1936, from Mr. Morrill recommending the appointment of Miss Mary L. Colliflower as a stenographer in the Office of the Secretary, with salary at the rate of $1,500 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated May 20, 1936, from Mr. Morrill, recommending the temporary appointment of Miss Helen G. Lavelle as a stenographer in the Office of the Secretary for such period as she may be needed, but not to exceed four months, with salary at the rate of $125 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.
Letter to Mr. John B. Kuhn, Washington, D. C., reading as follows:

"The Board of Governors of the Federal Reserve System accepts your resignation as Inspector in connection with the driving of piles and reinforced concrete work for the Board's new building, effective May 15, 1936, as tendered in your letter of May 19, 1936."

Approved unanimously.

Telegram to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Your letter May eighteenth. Board approves use of the branch employees listed in your letter to lend clerical assistance to your regular examiners in examinations of State member banks. It is understood that none of these employees will be transferred permanently to examining work without Board's approval."

Approved unanimously.

Letter to the board of directors of "The Fidelity Savings Bank of Antigo, Wisconsin", Antigo, Wisconsin, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation "H", and the following special conditions, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

7. Such bank shall make adequate provisions for depreciation in its furniture and fixtures.

8. Such bank shall not permit any investment in a bank building or in a site for a bank building to assume such proportions as would endanger the bank's solvency or liquidity or would otherwise be unduly large or improper, and before any investment is made in a bank building or a site for a bank building the bank shall submit the matter to the Federal Reserve Bank of Chicago for consideration.
Prior to admission to membership such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of $2,029.60 as shown in the report of examination of such bank as of April 13, 1936, made by an examiner for the Federal Reserve Bank of Chicago.

Approved unanimously, together with a letter to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Fidelity Savings Bank of Antigo, Wisconsin', Antigo, Wisconsin, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of Banking for the State of Wisconsin for his information.

'It has been noted that the reports and statements of The Fidelity Savings Bank of Antigo do not reflect the amount of the bank's outstanding 'B-2' debentures except as a footnote which reads as follows:

'The bank has outstanding $20,500 face amount of Class "B-2" Debentures, subordinate to all deposit and creditor liabilities, including Class "A" (and Class "B-1") Debentures.'

In this connection, as you know, the bank will be required, if it becomes a member of the System, to make and publish reports in the form prescribed by the Board for State member banks under the provisions of section 9 of the Federal Reserve Act. Accordingly, in order to avoid any misunderstanding, it is suggested that you call to the attention of the bank the form of report of condition now required by the Board (Form 105), and to the fact that in accordance with the instructions governing the preparation of such report the Class 'B-2' debentures must be shown separately under capital account as an added item under item 31(a)(2).

'A condition of membership regarding the completion of the application for an increase to $80,000 in the amount of Class 'A' capital debentures outstanding has not been prescribed as recommended by the Reserve Bank Committee inasmuch as the Reconstruction Finance Corporation has advised that disbursement for the additional $50,000 debentures
"has been made."

Telegram to Mr. Young, Assistant Federal Reserve Agent at

the Federal Reserve Bank of Chicago, reading as follows:

"Retel May 18, 1936, re 'Coopersville State Bank', Coopers-
ville, Michigan. Board modifies condition of membership number-
ed 6 to read as follows:

"'6. Prior to the expiration in December 1937 of the de-
positors' agreement entered into in connection with the reorgan-
ization of the bank in 1932, the aggregate of the bank's capital
stock and surplus shall be increased to not less than $50,000.'

"Please advise the bank that the condition has been modified
in view of the protection afforded under the depositors' agree-
ment through the right of substitution for trusteed assets and
the fact that any losses sustained by the bank during the period
the agreement is in effect are chargeable to the trust fund es-
ablished in connection with the reorganization of the bank,
and that an increase of capital and surplus to $50,000, the
minimum figure stipulated in condition numbered 6 as revised,
will not be considered as compliance with the general require-
ments of condition of membership numbered 2 regarding the main-
tenance of an adequate amount of capital and surplus if a larger
amount is required at the time of the expiration of the depositors' 
agreement to be adequate in the light of the circumstances then
existing.

"Please advise the Banking Commissioner in Michigan of modi-
ification."

Approved unanimously.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as

follows:

"Inclosed is a copy of a proposed ruling, which the Board
has under consideration, relating to the following paragraph of
the Board's waiver of the requirement for reports of affiliates
of State member banks:

"'The Board of Governors of the Federal Reserve Sys-
tem also waives the requirement for the submission of re-
ports of affiliates in all cases where the affiliate re-
lationship is based solely on ownership or control of any
voting shares of the affiliate by a member bank as execu-
tor, administrator, trustee, receiver, agent, depositary,
or in any other fiduciary capacity, except where such
shares are held for the benefit of all or a majority of
the stockholders of such member banks.'"
Since your waiver of the requirement for reports of affiliates of national banks contains a similar paragraph, the Board will appreciate an expression of your views concerning the proposed ruling. There are also inclosed copies of memoranda prepared by the General Counsel and an Assistant General Counsel to the Board in connection with this matter.

Approved unanimously.

Letter to Mr. Swanson, Assistant Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of May 9 in which you inquire whether the First National Bank of Princeton, Princeton, Minnesota, which was placed in voluntary liquidation on November 8, 1934, should continue to be reported as an affiliate by the Metals Bank & Trust Company of Butte, Montana, in Schedule 'O' submitted with call reports on Form 105. It is noted that the liquidating agent of the First National Bank of Princeton has paid all of the liabilities of the bank with the exception of $603.57, representing apparently deposits which have not been called for, and that the office of the Comptroller of the Currency will no longer require that the First National Bank of Princeton be included in Schedule 'O' submitted with call reports of national banks.

Although the First National Bank of Princeton has not been completely liquidated, the liquidation thereof has reached the stage where it is believed that no good purpose would be served by continuing to include the bank in Schedule 'O'. Accordingly, the Metals Bank & Trust Company of Butte, Montana, need no longer report the First National Bank of Princeton in Schedule 'O' as an affiliate."

Approved unanimously.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of April 8, 1936, with regard to the indebtedness of Mr. A. E. Jaeger, Assistant Cashier of the Coffman-Dobson Bank and Trust Company, Chehalis, Washington. It is noted that the indebtedness was incurred prior to August 23, 1935, the date of the enactment of the Banking Act of 1935, and, therefore, does not fall within the scope of the Board's Regulation O."
"You state that the matter has been called to the attention of the member bank and that, in order to correct the apparent violation of section 22(g), it is proposed to reduce the indebtedness of Mr. Jaeger to the bank to $2500 and refinance the excess portion through a nonmember bank. Since it is possible for the executive officer concerned now to become indebted to the bank in an amount not exceeding $2500 under the conditions and limitations contained in section 3 of the Board's Regulation 0 and since it does not appear that the apparent violation was committed knowingly or in wilful disregard of the law, it will not be necessary to report the matter to the local United States Attorney if the proposed plan is consummated within a reasonable time. In this connection, your attention is called to the Board's letter of February 13, 1935 (X-9124).

"You also state that it has occurred to you that, since the indebtedness in question arose as the result of a purchase on contract of other real estate acquired by the member bank in satisfaction of a debt previously contracted, the indebtedness might properly be construed as coming within the exceptions contained in paragraphs (2) or (3) of subsection (a) of section 3 of Regulation 0 and request an expression of the Board's opinion on this point. The exceptions referred to were not a part of the law prior to the enactment of the Banking Act of 1935, approved August 23, 1935, and, since the indebtedness was incurred prior to such date, the exceptions are not technically applicable to such indebtedness. The mere fact that an executive officer of a member bank has purchased real estate from the member bank would not necessarily show that his indebtedness to the bank was incurred for the purpose of protecting the bank against loss or giving financial assistance to it within the meaning of the provisions of the Board's regulation. However, since a plan for disposing of the matter in the present case has been proposed by the member bank, it does not seem necessary to obtain additional information to show whether or not the transaction would come within the substance of the provisions of the regulation above referred to even though not technically covered by such provisions."

Approved unanimously.

Letter to Mr. Henry Milberg, Attorney at Law, Jersey City, New Jersey, reading as follows:

"This refers to your letter of May 13, 1936, in which you state that, in connection with pending litigation arising out of the liquidation of The First National Bank of West New York,
"West New York, New Jersey, you desire an expression of the Board's views concerning the rights of a national bank to issue participation certificates in pursuance to the authority bestowed upon said Banks to act in a fiduciary capacity under section 11(k) of the Federal Reserve Act. "It is the practice of the Board not to comment upon the merits of questions which are in litigation and, accordingly, it is regretted that the Board cannot be of any assistance to you in this matter."

Approved unanimously.

Letter to Mr. Arthur C. Vogt, Great Neck, Long Island, New York,
reading as follows:

"Mr. Broderick has brought to the attention of the Board your letter of May 8 in regard to the use by the National Safety Bank & Trust Company in New York of what is known as the 'Checkmaster Plan'.

"The Board has noted with interest your observations regarding this plan. However, the information available to the Board does not indicate that the plan is contrary to any provision of law which comes within the jurisdiction of the Board of Governors and, as in the case of many other new ideas or adaptations of old ideas for the promotion of new business, it is felt that the question of the advisability of the use of such a plan is one for the banks and their customers to determine in the light of their own experience and observations as to its benefits and disadvantages. The Board appreciates your point of view and is glad to have the information which you have submitted but it feels that it would not be justified at this time in undertaking an investigation of the operation of the plan in the manner in which you suggest."

Approved unanimously.

Memorandum dated May 19, 1936, from Mr. Noell, Assistant Secretary, recommending that, for the reasons stated in the memorandum, the Board accept the bid submitted by Barton, Duer, & Koch Paper Co., Washington, D. C., for furnishing all mimeograph paper which will be required for the use of the Board from the date the contract is awarded.
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until December 31, 1936. The memorandum stated that the bid submitted by Barton, Duer & Koch Paper Company represented a saving of approximately 15%.

Approved unanimously.

Thereupon the meeting adjourned.

Approved: [Signature]

Chairman.

Secretary.